

METROSTATS

Exploring regional issues that matter

October 2016

The Twin Cities Region Produces More Affordable Housing in 2015

Key findings

Each year the research team at Metropolitan Council asks cities and townships across the Twin Cities region about their residential construction projects and whether these new housing units are affordable. We use the term affordable to describe housing units that low-income households could pay for with up to (but not more than) 30% of their monthly income. Here, we express household income as a percentage of Area Median Income (AMI), an annual measure calculated by the U.S. Department of Housing and Urban Development. Since 2011, Metropolitan Council considers low-income households to be those with incomes at or below 60% of Area Median Income, relative to household size. For example, a family of four with an income of \$51,960 or below (60% AMI) would be considered a low-income household in 2015.

By tracking the price point of residential housing, we can better understand the landscape of housing options for households at different income levels. When people cannot find housing they can afford, the effects are far-reaching: they are forced to make trade-offs between paying their rent or mortgage and other daily essentials, like food, medical care, and transportation—undermining their economic security and overall well-being.

Our focus	How many new affordable units were added to the region's housing stock in 2015?	What are the primary housing types and tenure mix of the region's new affordable units?	Where was new affordable housing added in the Twin Cities region?
Our findings	The region added 1,309 new affordable units in 2015. This is the highest annual total since 2011 and a 69% increase from 2014. In context these gains are less impressive: only one in every 10 of the region's new housing units were affordable. Further, our data does not reflect net change, only added units. <p style="text-align: right;">Page 2</p>	The primary form of new affordable housing continues to be multifamily apartment buildings. In 2015, 92% of affordable units were renter-occupied. While the region's rental market is robust, only a small share of new rental units are affordable. Affordable single family homes and townhomes are scarce. <p style="text-align: right;">Page 3</p>	Thirty-three cities across the region added at least one affordable unit in 2015. These places were mainly (but not exclusively) clustered in eastern Hennepin County. Between 2011 and 2015, 72 cities and townships added at least one affordable unit. Affordable housing is also finding its way into transitways. <p style="text-align: right;">Pages 5 & 6</p>

Additional resources helped boost the region's affordable housing production in 2015

Nearly 12,800 new housing units were added to the Twin Cities region's housing stock in 2015—the highest annual total since 2009. Of these new housing units, one in every 10 was affordable (Figure 1).

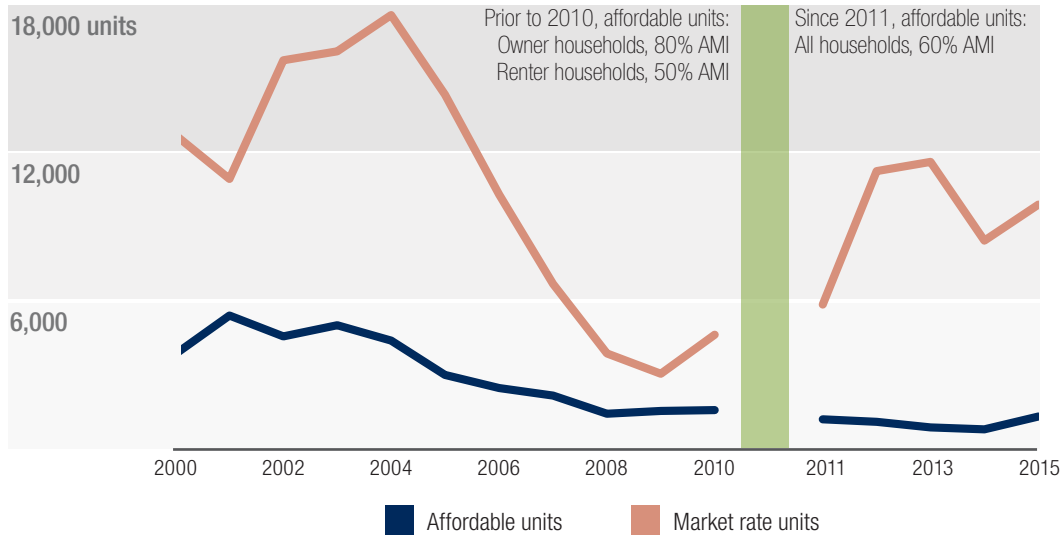
FIGURE 1: SHARE OF NEW HOUSING UNITS THAT WERE AFFORDABLE IN 2015



Source: Metropolitan Council's Affordable Housing Production Survey, 2015. Affordable housing data are occasionally updated. The most current data are available to view and download at metro council.org/data.

The Twin Cities region added 1,309 affordable units in 2015, a 69% increase from the 2014 total (775 units). The 2015 total was the highest annual number of affordable units produced since 2011. This increase results largely from a 2014 infusion of \$80 million in Housing Infrastructure Bonds authorized by the State Legislature. Using this special funding, Minnesota Housing and its partners funded 16 new construction developments containing 1,182 units in the Twin Cities region through the 2014 annual Consolidated Request for Proposals (RFP). For comparison, Minnesota Housing and its partners funded only 10 new construction projects adding 422 units in the 2013 RFP and seven developments adding 377 units in 2015 RFP.

FIGURE 2. NEW HOUSING UNITS ADDED IN THE TWIN CITIES REGION BY PRICE LEVEL, 2000-2015



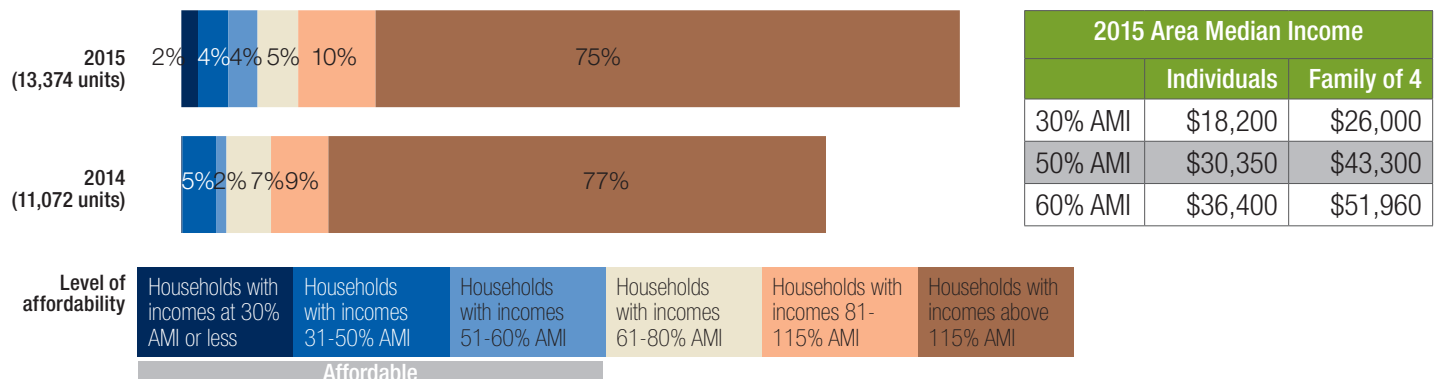
Source: Metropolitan Council's Affordable Housing Production Survey, 2000-2015. Affordable housing data are occasionally updated. The most current data are available to view and download at metro council.org/data.

It's worth noting that our data does not reflect net changes in the number of affordable units across the region—only new or added affordable units. As properties opt out of tax credits or other federal subsidies, or naturally occurring affordable housing costs increase beyond affordability limits, the Twin Cities region's new affordable housing production may not result in a net gain.

Units affordable to the lowest-income households increased in 2015

We revised our annual Affordable Housing Production Survey to gather more detailed information about the pricing of affordable units in 2014. Though limited to two years, the data show the number units affordable to households with incomes at or under 50% of Area Median Income increased, going from 595 units in 2014 to 809 units in 2015. Again, this is a direct result of the funding priorities of the Housing Infrastructure Bonds which encouraged supportive housing. Eighty-two percent of the nearly 300 units affordable to households with incomes at or under 30% AMI in 2015 came from two projects in Saint Paul: Prior Crossing and Higher Ground Saint Paul (see Figure 7).

FIGURE 3. RECENTLY ADDED HOUSING UNITS BY PRICE LEVEL

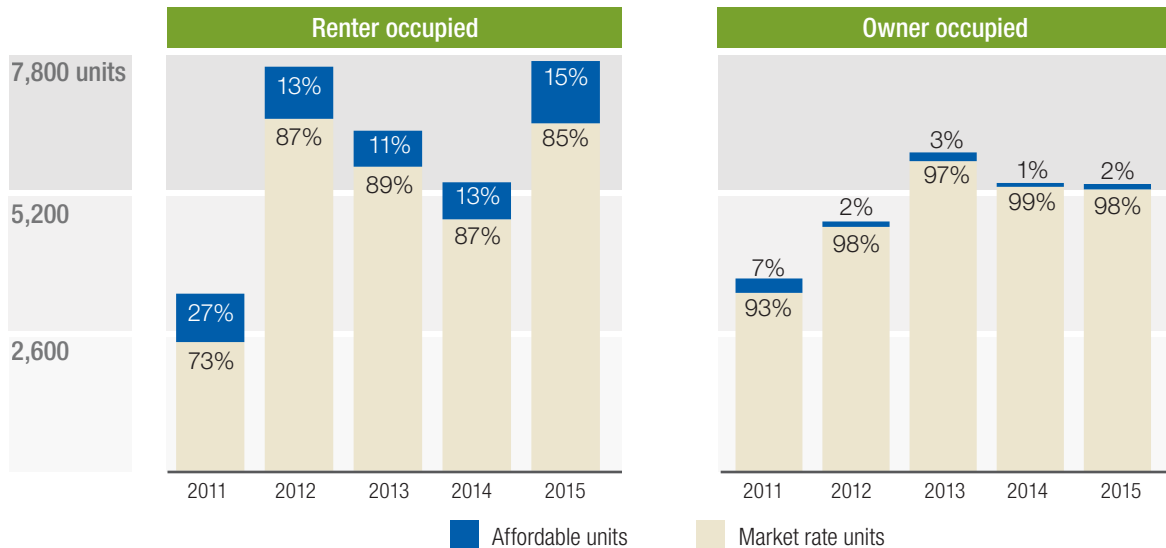


Source: Metropolitan Council's Affordable Housing Production Survey, 2014 and 2015. Affordable housing data are occasionally updated. The most current data are available to view and download at metro council.org/data.

Most of the region's new affordable units are still multifamily rentals

Since 2010, the majority of the region's new residential construction has been multifamily rental units [LINK]. As the rental market grew stronger in the wake of the Great Recession, affordable rental housing was significantly outpaced by market rate development. The number of affordable rental units increased 33% between 2011 and 2015: during the same period, the number of market rate rental units increased 168%. In 2015, the region added the highest number of rental units in a decade—nearly 7,800. Just over one in seven units of these units were affordable; a slight improvement over 2013 and 2014. The number and share of owner-occupied affordable units remained low in 2015, totaling just over 100 units region-wide. Of these owner-occupied units, 91% were single family homes, and the rest were townhomes.

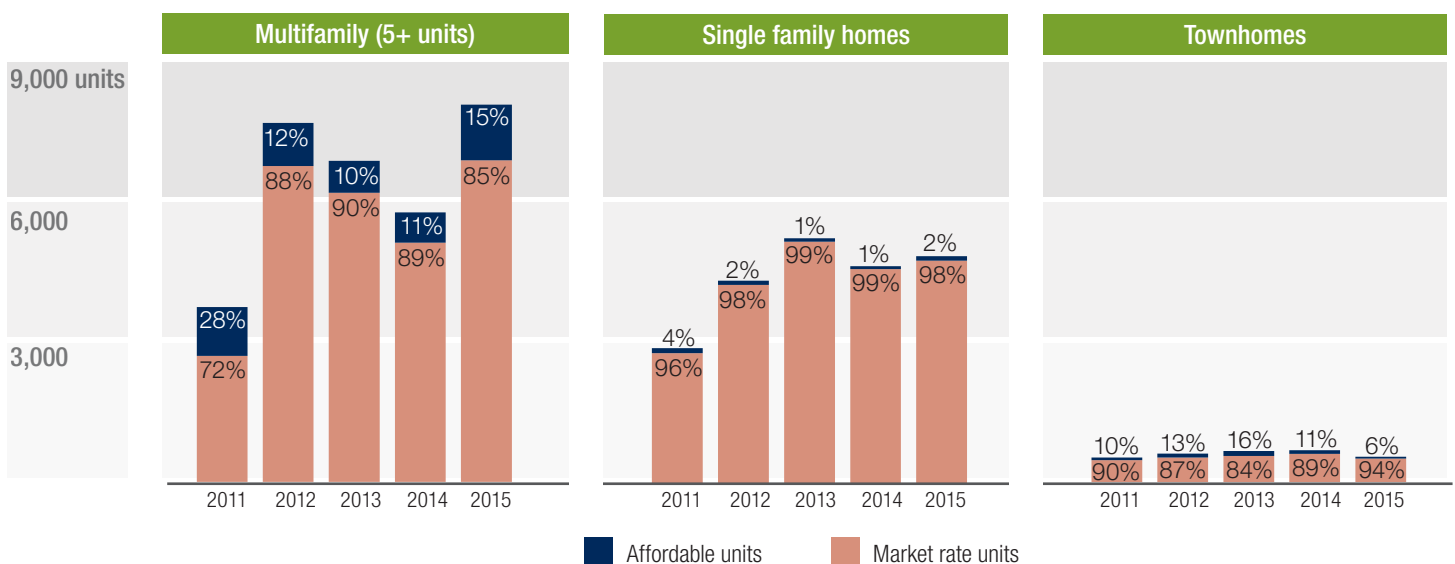
FIGURE 4. RECENTLY ADDED HOUSING UNITS BY TENURE AND PRICE LEVEL



Source: Metropolitan Council's Affordable Housing Production Survey, 2011-2015. Affordable housing data are occasionally updated. The most current data are available to view and download at metro council.org/data.

Since 2011, the region has added 430 affordable single family homes and just under 400 affordable townhomes. As Figure 5 shows, the share of affordable units within these housing types have been relatively low (Figure 5).

FIGURE 5. RECENTLY ADDED HOUSING UNITS BY HOUSING TYPE AND PRICE LEVEL

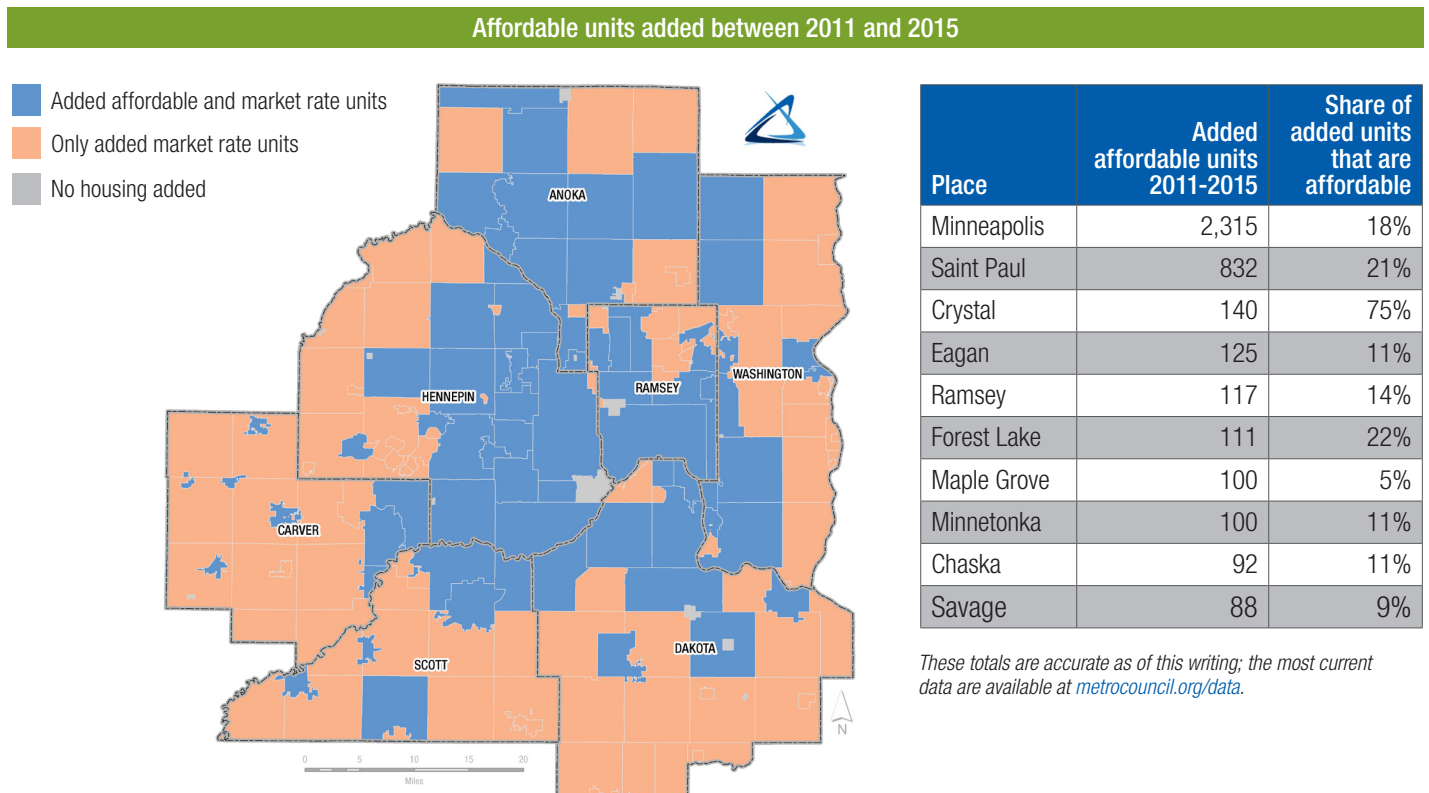
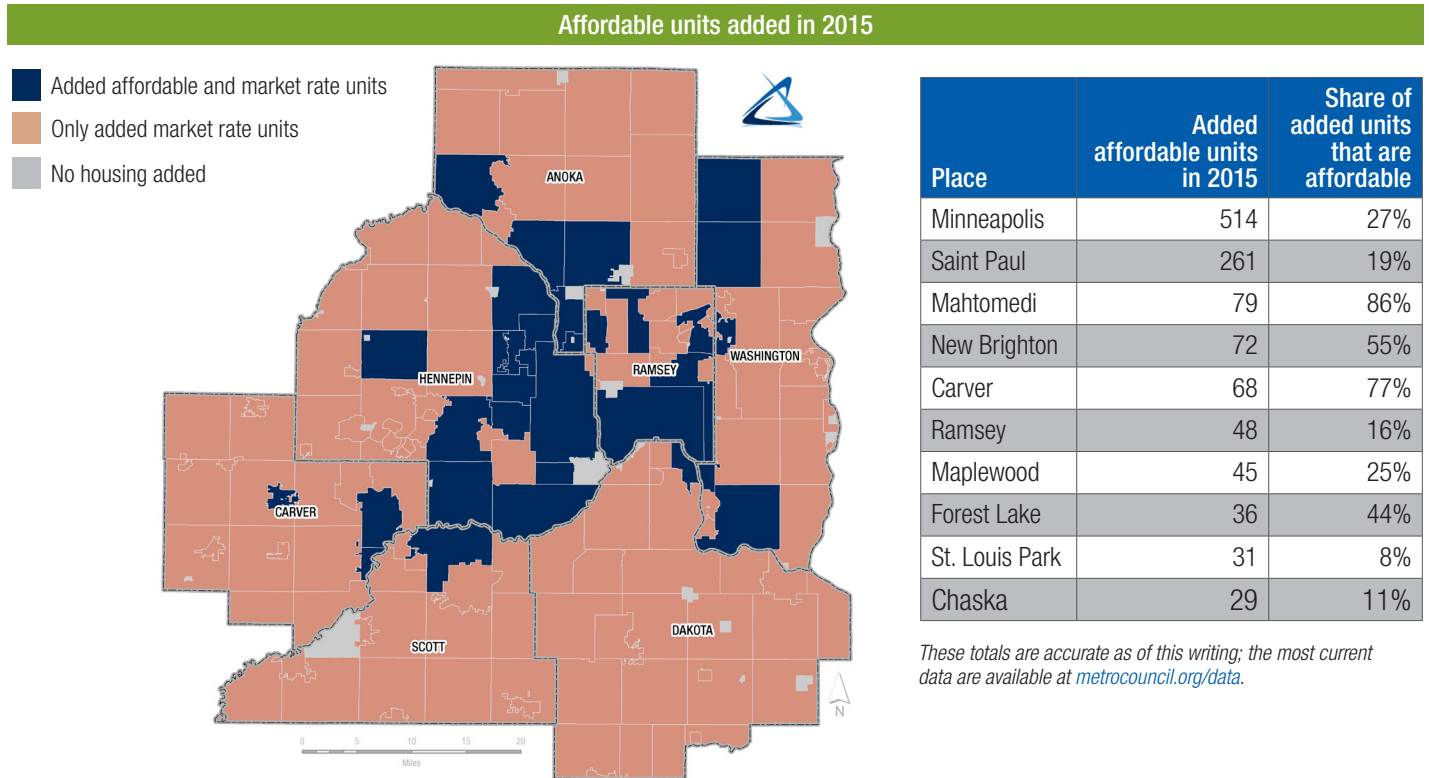


Source: Metropolitan Council's Affordable Housing Production Survey, 2011-2015. Affordable housing data are occasionally updated. The most current data are available to view and download at metro council.org/data.

One in every six communities across the region added affordable housing in 2015

Thirty-three cities and townships added at least one affordable housing unit in 2015 (Figure 6). These communities were largely clustered in eastern Hennepin County, southern Anoka County, and northeast Carver and Scott counties. Seventy-two cities and townships added at least one affordable unit between 2011 and 2015. Though Minneapolis added the highest number of affordable units in this period, it only accounted for 18% of city's added housing units overall.

FIGURE 6. RECENTLY ADDED AFFORDABLE HOUSING UNITS BY CITY AND TOWNSHIP



Source: Metropolitan Council's Affordable Housing Production Survey, 2011-2015. Affordable housing data are occasionally updated. The most current data are available to view and download at metro council.org/data.

The region's transit investments have attracted new multifamily construction since 2010 [LINK]. Figure 5 showed that between 2011 and 2015, about one in every seven of the region's new multifamily units were affordable to households with incomes up to 60% of Area Median Income. Within a half-mile of some existing and planned transitways, however, the share of new multifamily housing affordable is higher. For example, close to 6,300 new multifamily units were permitted between 2011 and 2015 within a half-mile of the new METRO Green Line, which opened in 2014 and connects Minneapolis and Saint Paul. About one in every six (16%) of the new multifamily units in this transitway were affordable. Over 1,100 new multifamily units have already been constructed within a half-mile of the METRO Green Line extension (Southwest Light Rail), a planned transitway. So far, about one in every five (21%) of these new multifamily units were affordable. Higher rates of affordable new multifamily units (relative to the regional average) are also in the METRO Blue Line and Northstar Line transitways (19% and 18%, respectively). This pattern has not played out among the region's existing and planned Bus Rapid Transit (BRT) lines: the A Line on Snelling Avenue completed in 2016 or the METRO Orange Line, a planned line between Minneapolis and Burnsville which will open in 2019, have yielded some multifamily development but few affordable units to date.

FIGURE 7. 2015 AFFORDABLE HOUSING PROJECT HIGHLIGHTS

Medina Townhomes in Medina

A 26-townhome rental development built by Dominion is affordable to households with income up to 60% of Area Median Income. Tax credits and Community Development Block Grant funds helped to support this project, which also has four units dedicated for homeless households and includes wrap-around, supportive services.



[PHOTO CREDIT LINK]

Fountain Terrace in New Brighton

A 72-unit rental property where affordability was secured through the new Naturally Occurring Affordable Housing (NOAH) fund led by Greater Minnesota Housing Fund. Half the units are affordable to households with incomes between 31 and 50% AMI, the other half for households with incomes between 51 and 60% AMI.



[PHOTO CREDIT LINK]

Carver Crossing in Carver

This 68-unit workforce housing project in the City of Carver is affordable to households with incomes between 31 and 50% AMI. Metropolitan Council awarded this project a \$1.2 million dollar Livable Communities Demonstration Account (LCDA) grant in 2015.



[PHOTO CREDIT LINK]

Higher Ground Saint Paul in Saint Paul

The first of two buildings that are part of Catholic Charities' new Dorothy Day Center in downtown Saint Paul. The 193-rental units are designated as permanent supportive housing affordable to households with incomes up to 30% AMI.



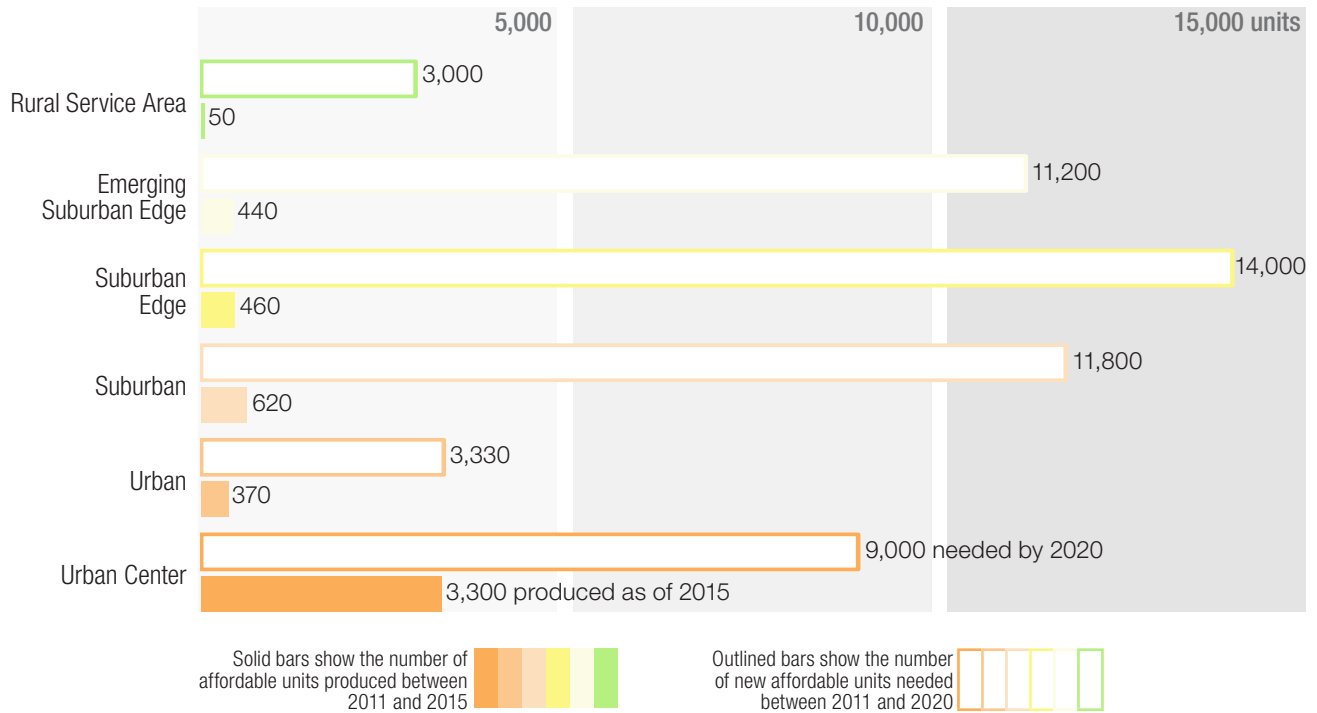
[PHOTO CREDIT LINK]

Source: Metropolitan Council's Affordable Housing Production Survey, 2015. Affordable housing data are occasionally updated. The most current data are available to view and download at metro council.org/data.

The region's affordable housing production is far below needed levels

According to the Council's 2011-2020 Allocation of Affordable Housing Need [LINK], the region's jurisdictions are expected to need over 52,000 additional affordable housing units to accommodate the region's forecasted increase in low- and moderate-income households between 2011 and 2020. Affordable housing production in the region is far below what the region needs to stay apace of growth in low- and moderate-income households (Figure 8). Urban Centers have made the most progress on producing affordable units but other communities, especially the Suburban Edge and Emerging Suburban Edge, are far behind the level of production needed to reach their Need numbers over the next five years.

FIGURE 8. PROGRESS ON AFFORDABLE HOUSING PRODUCTION BY THRIVE MSP 2040 COMMUNITY DESIGNATIONS



Source: Metropolitan Council's Affordable Housing Production Survey, 2011-2015; and Metropolitan Council, 2011-2020 Allocation of Affordable Housing Need. Affordable housing data are occasionally updated. The most current data are available to view and download at metro council.org/data.

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